Saskatchewan Milk Control Board Update

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CHAIRMAN'S MESSAGE – LEONARD BLOCKA

As we make the transition to the New Year, the Milk Control Board will also experience a transition at the management level. For some time, Gerry Gartner has indicated a desire to retire after many decades serving the agricultural industry. Board members have greatly appreciated his commitment and contribution to the industry, and his agreeing to work for two years beyond his original contract until such time as the Board was able to recruit a suitable replacement. After an extensive search, the Board has engaged the services of Ryan Boughen to take over and continue the excellent administrative, management and policy development performance of Gerry Gartner in his capacity as C.E.O. over the last seven years. While we are grateful for his contribution to the Saskatchewan dairy industry, and wish Gerry all the best in his future activities, we look forward to working with Ryan as the Board addresses the challenges of the future.

The following is a note from Gerry Gartner.

It has indeed been an honour and a privilege to work on behalf of Saskatchewan dairy industry stakeholders over the last seven years. My respect for dairy producers and their commitment to the supply management system in Canada gave strong purpose to my role in making the system operate on behalf of all stakeholders.

My work as C.E.O. of the Milk Control Board represents the highest level of fulfillment in my 40 some years, working for the betterment of Saskatchewan and Canadian farmers and those abroad. I want to thank the great Board staff for their tremendous commitment to the industry, and for their support as members of the administrative team. It has also been a delight to work with Board members in a policy support role. I am sure you will provide the same level of support to Ryan Boughen as he assumes the C.E.O. duties and responsibilities.

I want to wish all dairy industry members the very best in the future.

Gerry Gartner, C.E.O.

Significant quota increases have occurred in response to strong market demand. **Based on August to November production, the Board estimates that the province will produce 96.86% at the end of January.** We urge you to rise to the challenge and produce your full quota so the significant growth in demand can be filled by Canadian milk.

On behalf of Milk Control Board members and staff, I want to wish producers and other industry partners a joyous holiday season and the very best in the New Year.

QUOTA EXCHANGE

The fourth butterfat Quota Exchange of the 2007-2008 dairy year was conducted on December 17, 2007. The market-clearing price established for the Unused Quota Exchange was **$46.00.** There was no market-clearing price established for the Used Quota Exchange. The results of the December 2007 Quota Exchange are outlined in the following Tables.

Effective January 1, 2008, the Board will operate a Quota Exchange for used and unused quota twelve months of the year. The Quota Exchange Operational Guidelines outlining the procedure the Board will follow for quota sales through the Exchange are included in this newsletter. Please contact the Board office if you have any questions.

The next monthly Quota Exchange for the 2007-2008 dairy year will be held on January 15, 2008. All offers to sell and bids to purchase quota through the Quota Exchange must be received at the Board office by midnight, January 6, 2008. The Board recommends that offers and bids be submitted well in advance of the deadline date to ensure adequate time for corrections, if necessary.

Just a reminder to producers that when making bids on the Quota Exchange, the price on offers to sell quota is the minimum price that the producer is prepared to accept for that quota. Only if the market-clearing price is equal to or greater than the producer's minimum price will that producer qualify for participation in the Exchange.

Conversely, the price on offers to purchase quota is the maximum price that the producer is prepared to pay for that quota. Only if the market-clearing price is equal to or less than the producer's maximum price will that producer qualify for participation in the Exchange.

The clearing price is established at the price where the smallest difference exists between the accumulated volume offered for sale and the accumulated volume bid to purchase.

TABLE I

UNUSED QUOTA EXCHANGE (per kilogram of butterfat)

Market Clearing Price per kilogram of butterfat	**$46.00**
Kilograms offered to Purchase – total	**38,585**
Kilograms offered to purchase at 5% adjustment	**19,510**
Kilograms offered to Sell	**17,391**
Kilograms sold	**13,359**
Number of Producers	
- offered to purchase	**13**
- purchased quota	**9**
- offered to sell	**14**
- sold quota	**12**

UNUSED QUOTA EXCHANGE

Price ($/kg b.f.)	No. of Sellers	Cumulative Sellers	Kgs b.f. offered for sale	Cumulative sales	Cumulative Sales less Cumulative purchases	Cumulative purchases	Kgs b.f. offered to purchase	Cumulative Buyers	No. of buyers
37.26	3	3	2,156	2,156	-17,354	19,510	0	13	0
40.00	6	9	10,400	12,556	-6,954	19,510	0	13	0
42.00	1	10	1,000	13,556	-5,954	19,510	0	13	0
43.60	0	10	0	13,556	-5,954	19,510	1,916	13	1
45.00	1	11	190	13,746	-3,848	17,594	4,235	12	3
46.00	**1**	**12**	**120**	**13,866**	**507**	**13,359**	**100**	**9**	**1**
47.00	0	12	0	13,866	607	13,259	1,588	8	1
49.50	0	12	0	13,866	2,195	11,671	2,000	7	1
49.75	0	12	0	13,866	4,195	9,671	2,000	6	1
50.00	1	13	25	13,891	6,220	7,671	5,246	5	4
60.00	0	13	0	13,891	11,466	2,425	2,425	1	1
67.00	1	14	3,500	17,391	17,391	0	0	0	0

TABLE II

USED QUOTA EXCHANGE (per kilogram of butterfat)

Market Clearing Price per kilogram of butterfat	**$ -------**
Kilograms offered to Purchase – total	**-------**
Kilograms offered to Sell	**-------**
Kilograms sold	**-------**
Number of Producers	**-------**
- offered to purchase	
- purchased quota	
- offered to sell	
- sold quota	

BUTTERFAT PRODUCTION AND COMPONENT PRICING, NOVEMBER 2007

Butterfat production for November 2007 totalled approximately 714,166 kilograms. This was approximately 5.58% higher than November 2006 shipments. **For the first four months of the 2007-2008 dairy year, Saskatchewan's allocation of Total Production Quota totalled approximately 2,914,523 kilograms. In the first four months, the province has shipped 94.80% of that amount.**

The weighted average component tests and prices for the province in November are indicated in Table III.

Over quota (4m) holdings are $1,231,177.63 for the first four months of the 2007/2008 dairy year.

TABLE III

Components	Average Test	Price per kilogram Class 1 to 5
Butterfat	3.9085	$10.635910
Protein	3.4154	$ 7.635897
Other Solids	5.6732	$ 1.149247

Based on the average component tests for the province, the average price received was $74.1701 per hectolitre. The average butterfat price received per kilogram was $18.98.

SASKATCHEWAN MILK POOL RESULTS November 2007

TABLE IV

Milk Sale Revenue	$ 13,934,096.72
Western Milk Pool	$ -292,554.77
Dairy Farmers of Canada Skim Off	$ -20,602.89
Plant of Last Resort Service	$ -57,433.30
Sample Bags	$ -11,005.00
Total Pool Value	**$ 13,552,500.76**

ACCOUNTING VALUES FOR CLASSES OF MILK – December 2007
TABLE V

	Butterfat ($/kg)	**($ per hl. Skim milk)**	
Class 1a	$5.3000	$59.43	
Class 1b	$5.3000	$59.43	
Class 1c	$5.3000	$44.50	
	Butterfat ($/kg)	**Protein ($/kg)**	**Other Solids ($/kg)**
Class 2	$7.2333	$5.4013	$5.4013
Class 3a	$7.2333	$12.6330	$0.8428
Class 3b	$7.2333	$12.4025	$0.8428
Class 4a, 4b, 4d & 4d(i)	$7.2333	$5.0219	$5.0219
Class 4a(i)	$7.2333	$1.7000	$1.7000
Class 4c	$7.2333	$4.3370	$4.3370
Class 4m	$0.00	$0.00	$0.00
Class 5a	$3.0297	$8.4711	$0.5071
Class 5b	$3.0297	$4.0537	$4.0537
Class 5c	$4.2402	$4.2804	$4.2804
Class 5d	**As determined by**	**the CDC**	

CLASS 1 PRICE INCREASE – JANUARY 1, 2008

The Alberta Energy and Utilities Board increased the minimum price for Class 1 milk by $0.98 per hl. effective December 15, 2007. The increase was due mainly to hay and dairy feed price increases based on a two month trend analysis. Accordingly, the Saskatchewan Milk Control Board will increase the Class 1 price to producers by $0.98 per hl. effective January 1, 2008.

ADMINISTRATIVE CHANGE – PRODUCER MILK PAY STATEMENTS

Beginning with the January, 2008 milk pay statement, the Board will administer the Component Testing charge to producers on a monthly basis rather than weekly as in the past. The yearly cost for component testing remains the same, however, it will now be charged in twelve equal payments of $15.17. If you have any questions, please contact Doug Miller at the Board office.

QUOTA TRANSFER PROCEDURE

Just a reminder that effective January 1, 2008 the Board will operate a mandatory Quota Exchange twelve months of the year. The following excerpt from the 2007-2008 Quota Policy (effective January 1, 2008 – July 31, 2008) explains the procedure the Board will follow for quota transfers and sales.

In Saskatchewan, **all sales** of quota (used and unused) must be made through the Quota Exchange managed by the Milk Control Board, **except for**:

- transfers of quota within the immediate family; or
- private sales where the entire Total Production Quota is transferred to a single "producer" (as defined in **Definitions).**

It is the producer's obligation to fill his/her quota until such time as the effective date of the transfer.

Direct transfers are subject to the following conditions:

Approval of the transfer of quota in a private sale will not be approved by the Board unless the application for direct quota transfer form is accompanied by a letter from the seller's lawyer addressed to the Board confirming that the conditions of the sale will be subject to appropriate trust conditions so that when all conditions of the sale are met, the sale proceeds are available to the seller.

Quota Exchange Operational Guidelines

THERE WILL BE A QUOTA EXCHANGE HELD FOR UNUSED AND USED QUOTA TWELVE MONTHS OF THE YEAR.

There are two separate monthly Quota Exchanges in operation:

1. **The Exchange for unused butterfat quota**
   Purchasers of all unused butterfat quota will receive the purchased quota for the dairy year in which the purchase occurred.

2. **The Exchange for used butterfat quota**
   Purchasers of used butterfat quota will receive the purchased quota at the beginning of the next dairy year.

The following general rules apply to the operation of the two Exchanges.

1. All offers to sell and bids to purchase must be made by sending a completed Quota Exchange Application Form to the Board office. **All offers to purchase must be accompanied by a letter from a financial institution or lender confirming funds. Bids to purchase will not be part of the exchange unless accompanied by this letter.**

2. Quota must be sold, or bid for, in terms of dollars and cents per kilogram of butterfat quota.

3. All offers to sell and bids to purchase quota through the Exchange must be received at the Board office by midnight of the 6th of each calendar month to become effective on the first day of the following month. The Board strongly recommends that offers and bids be placed on the Exchange well in advance of this deadline date to ensure adequate time for corrections if necessary. Any bid or offer received on or after the 7th of the month will be entered on the next month's Exchange, unless the Board is advised otherwise in writing.

4. A producer who wishes to cancel or change an offer or bid may do so by advising the Board office of the changes by sending a letter that must be received at the Board office prior to the 7th day of the same month.

5. There is a service charge of $20 for listing an offer to sell, or bid to purchase quota. There will be an additional charge of $20 for changing or cancelling a bid or offer on the same Exchange.

6. Producers who listed offers to sell or bids to purchase quota on the Exchange will be advised by letter of whether or not their offer or bid was successful. Only after written notice is received, should the settlement for quota be completed.

7. A producer cannot offer to sell and bid to purchase the same type of quota on the same Exchange in the same month.

8. A producer may bid to purchase varying amounts of quota at varying prices on the Exchange. However, all successful bids must be honoured.

9. Producers who sell quota on the Quota Exchange can expect payment from the Board during the month following the Exchange.

10. A producer purchasing quota on the Quota Exchange must make payment to the Board by the 25th of the month in which the Quota Exchange is held.

11. The minimum amount, which can be purchased, sold or transferred, is 100 kilograms of butterfat quota.

12. All producers will be advised of the results of each Quota Exchange.

Determining the Market Clearing Price (M.C.P.)

The Board sets the clearing price after the Exchange closes. The clearing price is set at the price where the smallest difference exists between the accumulated volume offered for sale and the accumulated volume bid to purchase.

Allocation

Butterfat quota will be allocated to each successful bidder when the quota available on the Exchange is sufficient to meet the requests. If there is not sufficient quota to meet the amount requested, producers will receive an equal share of available quota. Allocations will not exceed a producer's bid (minimum 100 kilograms butterfat quota.)

Notification

The Quota Exchange clearing price will be established on the first regular business day following the 14th day of each month.

The Board will send letters to all participants after the Exchange closes to notify them of the status of their bid or offer. Phone calls requesting results should be delayed a few days after the Exchange closes so more complete information can be provided.

Payment

Successful purchasers must pay the Board by cheque or money order by the date specified in the notification letter from the Board. Failure to make payment will result in loss of the quota which was bid on, as well as Exchange privileges for twelve months.

Successful sellers will receive payment from the Board approximately one month following the date of the Quota Exchange.

Producers leaving the Industry

If a producer ceases production and does not sell his/her quota as a private sale, their quota must be offered, used and unused, on the next three Exchanges held after production ceases. **If the quota does not sell in the second month, the quota will be priced at 90% of the previously established market clearing price and placed on the Exchange until sold.** In the interim, the producer may sell the quota privately to a single producer. Transfer of the Total Production Quota as a single unit, or an immediate family transfer, does not require the placement of any amount on the Exchange.

A producer who is discontinuing production cannot sell the total quota until the Board has determined the final amounts of used and unused quota. However, a portion of the quota may be sold in advance of the final shipment. The maximum amount of used quota that can be sold is the amount that is indicated on the most recent production statement; producers must retain sufficient unused quota to cover all of their remaining butterfat shipments

When a producer ceases production, any milk shipped or recorded after the last day of the month will automatically be transferred to the purchaser.

QUOTA MANAGEMENT TABLE

Please find enclosed your quota management results for November, 2007 and includes the December 1, 2007 quota increase. This Table indicates the percentage of each producer's quota allocation utilized as well as the kilograms of butterfat produced by these shipments.

For the 2007-2008 dairy year, the Board will continue to provide these results on a monthly basis. We hope this information will assist producers with their management decisions regarding the utilization of their butterfat quota. If you have any questions, please contact our office.

2008 WESTERN CANADIAN DAIRY SEMINAR

The 26th annual Western Canadian Dairy Seminar will be held March 4 – 7, 2008 at the Capri Hotel Convention and Trade Centre in Red Deer, Alberta.

The theme for this year's seminar is "Managing Resources for Increased Profitability".

Further details and on-line registration will be available on the website http://www.wcds.afns.ualberta.ca/ or you can call Joanne Morrison the Conference Coordinator at (780) 492-3236 or email her at wcds@afhe.ualberta.ca

QUOTA LISTING SERVICE

The Board offers a free quota listing service as part of its Newsletter. Anyone wishing to sell or purchase quota and/or cows, or swap quota is welcome to contact the Board office at (306) 787-5319. All prices and negotiations will be independent of the Milk Control Board.

For Sale

- 2000 gallon Delaval tank. Contact James Hein (306) 365-3209
- Bred heifers for sale – contact Danny at Box Elder Colony – (403) 502-9997
- Quota for sale – contact Fred or Anne Monchuk at (306) 365-4750.
- Holstein heifers and cows for sale. Contact Sheldon Peifer (306) 862-9470. Cell phone (306) 862-7140.
- Holstein cows for sale. Contact Chad Knittig at (306) 598-2054 between noon and 1:00 p.m.

Want to Swap Quota

- Jim Gorrill would like to swap out quota. Phone (306) 725-4828.
- Holstein Haven Ltd. would like to swap out approximately 2,000 kilograms quota. Phone (306) 228-2921

- Brad Kornelius would like swap out quota. Phone (306) 239-4200 or (306) 260-4904.
- Levi at Bench Colony would like to swap in quota. Phone (306) 297-3270.
- Bill Slootweg would like to swap out approx 2000 kilograms quota. Phone (306) 597-4416.
- Paul at Hodgeville Colony would like to swap in quota. Phone (306) 677-2232 Ext. 6315
- Melanie Zalewski would like to swap out quota. Phone (306) 764-7865.

MILK CONTROL BOARD MEMBERS

Leonard Blocka, Chairman	Dairy producer
Dr. David Christensen	Dairy researcher/professor U of S
Joseph Guenther	Dairy producer
David Finlay	Dairy producer
Garf Stevenson	Consumer representative
Joanne Mortenson	Processor representative

For further information, please contact the Saskatchewan Milk Control Board office.

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